

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT AND TRANSPORTATION

Call to Order: By **CHAIRMAN JOHN BRUEGGEMAN**, on January 30, 2003
at 8:05 A.M., in Room 317 B Capitol.

ROLL CALL

Members Present:

Rep. John Brueggeman, Chairman (R)
Sen. Rick Laible, Vice Chairman (R)
Sen. Gregory D. Barkus (R)
Sen. Mike Cooney (D)
Rep. Monica Lindeen (D)
Rep. John Sinrud (R)

Members Excused: None.

Members Absent: None.

Staff Present: Matt Bugni, OBPP
Greg DeWitt, Legislative Branch
Amy Sassano, OBPP
Misty Shea, Committee Secretary

Please Note: Tape stamps indicate information that is found below. **Audio-only Committees:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: Department of Revenue, 1/30/2003
Executive Action: none

{Tape: 1; Side: A; Approx. Time Counter: 0 - 4.5}

Before the hearing began **Karla Gray, Chief Justice of the Montana Supreme Court**, made some comments to the committee about her concerns toward where the session is heading. She referenced Montana Codes Section 2-15-101 entitled, "Executive Branch Officers and Agencies" and stated the purpose of the chapter is to comply with Article VI of the Montana Constitution. Her commentary was in regard to a proposed subcommittee bill that amends section 2-15-102, MCA; and adds State personnel position advertising requirements and definition(reference LC2137 draft.)

{Tape: 1; Side: A; Approx. Time Counter: 4.5 - 19.5}

Kurt Alme, Director, Department of Revenue (DOR) began to provide the committee with an overview of the department. He provided them with a 2004-2005 budget presentation handout for their review. **Mr. Alme** praised the DORs staff and commended their work on property and tax reappraisals, he added that they gave up 3,000 hours of compensation and vacation time over the last year to get their work done. He then introduced: Margaret Kauska, acting Information Technology Administrator; Jody Brandt, Budget Analyst; Lynn Chenoweth, Resource Management Administrator; Jeff Miller, Operations Manager and Administrator Performance Management; Neil Peterson, Customer Service Center Administrator; Don Hoffman and Dolores Cooney, Administrative Leaders Compliance Valuation and Resolution; and Dave Ohler, Chief Legal Counsel.

EXHIBIT(jgh20a01)

Mr. Alme referred the committee to basic information about the DOR located on Page 2 of the second handout where they went over the pie chart and proceeded onto Page 3. **Mr. Alme** showed the committee where the DOR is primarily a general fund agency and he explained the other sources of funding such as alcohol wholesale and licensing. He then went on to explain expenditures and office locations, stating that there is an office in every county in the State.

Director Alme explained Page 4 the DOR organizational chart and the history behind it to the committee. He also discussed the process of each area shown for their understanding. **Mr. Alme** then directed the committee to Pages 5, 6, and 7 of the handout as they help to explain each other. He read through the pages and added that the Office of Dispute Resolution would handle liquor license disputes prior to appeal.

{Tape: 1; Side: A; Approx. Time Counter: 19.5 - 30}

In accordance with Page 8 of the handout, **Margaret Kauska, acting Information Technology Division Administrator**, began to explain her role which is over the application side only. The Technology Resource and Security and Information Support Divisions are temporarily under Resource Management headed by Lynn Chenoweth. She explained further that the application team maintains the POINTS integrated tax system and the legacy Individual Income Tax system. They also maintain property, abandoned property, and inheritance tax systems. **Ms. Kauska** stated that since the merge to work on POINTS the applications team is co-located with the DOR business analysts and it is going well working with the users. She stated that there are approximately 50 employees working in this area with 25 of them being full time programmer analysts or testers and 15 being full time contractors. **SEN. LAIBLE** asked what the range and functions of the contractors were. **Ms. Kauska** answered that they work on everything she mentioned.

Lynn Chenoweth, Resource Management, spoke briefly on the items listed on Page 8 of the handout. There were no questions. He went on to discuss the Resource Management Divisions main functions as detailed on Page 9. **Mr. Chenoweth** added that each management services unit only has one or two employees, and that any liquor distributed in the State has to go through the DOR. He stated that liquor inventory control is a high priority. **SEN. LAIBLE** asked how many FTEs there are in the liquor distribution area. **Mr. Chenoweth** answered approximately 15 with 10 working in the warehouse loading and unloading. **SEN. COONEY** asked about the number of private liquor stores. **Mr. Chenoweth** said that there are 97 in the State. **REP. LINDEEN** asked how many FTE are there in the help desk information area. **Mr. Chenoweth** replied that there are five people who rotate and pre-form various functions.

{Tape: 1; Side: B; Approx. Time Counter: 1 - 15}

Lynn Chenoweth discussed with **REP. LINDEEN** 24-hour computer support time. **SEN. LAIBLE** asked in technology resource how many FTE are there. **Mr. Chenoweth** replied, "10-15." **REP. SINRUD** and

Mr. Chenoweth discussed State-controlled liquor sales and the purpose of control. **Kurt Alme** introduced Judy Paytner, Administrator Tax Policy and Research, and Randy Wilke, Compliance Resolution and Valuation Leader.

Neil Peterson, Customer Service Center Administrator, provided an overview of the Customer Service Center. He referenced the committee to Page 10 of the handout. In addition he told the committee that there are six administrative assistants under him and an estimated 119 FTE within the division. **Mr. Peterson** explained the accounts receivable and collections unit including the collection process and bad debts unit which is a small internal service fund of 3.5 FTE. This unit charges a rate of 10% of what they collect and last year that was \$1.3 million collected from which the 10% funds the FTE. **Mr. Peterson** also mentioned how the DOR is asking to increase the offset potential of the unit by bringing in federal income tax refunds for use in offsetting State income tax debt. If the program is approved and running, the DOR believes they can bring in \$500,000 for the biennium and that would reduce the 10% rate as well. **Mr. Peterson** then discussed the call center which fields all incoming calls and answers 80% of the questions without transfer or delay.

{Tape: 1; Side: B; Approx. Time Counter: 15 - 30}

Mr. Peterson continued explaining the customer intake area on Page 10 and he stated that 40% of the unclaimed property that comes in is refunded where the rest goes into the general fund. In the 2001 session the unclaimed property unit received funding for an auditor and since then she has assessed about \$300,000 to holders and has collected about \$167,000.

Mr. Peterson explained the document and information processing unit also on Page 10 of the handout. He answered committee questions about liquor licensing and enforcement complaints, and the rule making processes. **SEN. COONEY** asked what was the success rate of collecting on delinquent accounts. **Mr. Peterson** replied that about 70% are paid within 30-60 days, 20% are resolved by use of more aggressive collection techniques, and 10% can be deemed uncollectable. He said that the actual write off range is 3-5%. **Mr. Peterson** and **SEN. LAIBLE** discussed the collection fee and how use of outside contractors is not favored.

{Tape: 2; Side: A; Approx. Time Counter: 0 - 15}

Mr. Peterson, SEN. LAIBLE, and Lynn Chenoweth discussed employee travel advances and debt collection. **Don Hoffman, Compliance, Valuation and Resolution District 1 Leader,** began to talk about the division in general and his responsibilities. (reference Pages 11-12 of the handout) He stated that his Regions 7 and 8 contain 100 employees split 60/40 and he outlined for the committee what they do. (reference Page 13) There were no questions.

{Tape: 2; Side: A; Approx. Time Counter: 15 - 30}

Randy Wilke, Compliance, Valuation and Resolution(CVR) District 2 Leader, discussed how Districts 2 and 3 are the contact point for all Montana's property tax taxpayers. He referenced the committee to Pages 11,12, and 14 and provided an overview. He added that since 1972 the DOR has completed four statewide reappraisals. **Mr. Wilke** stated that completion of final individual property filing and determination of values is the most important step of the reappraisal process. At this time the process has been affected by some criminal trespass issues which **Mr. Wilke** briefly explained. He also mentioned that with staff reductions in the past few years the CVR is at a bare bones level but they get their work done. Taxpayer data access, the levels and certification of appraisers, value determination, personal property, and privately held forest and agricultural land were topics of explanation.

{Tape: 2; Side: B; Approx. Time Counter: 1 - 20}

Randy Wilke discussed statewide assessments, tracking ownership for property tax purposes, staff responsibilities, and the computer-assisted mass appraisal system(CAMAS) used to analyze information to estimate market value. **REP. SINRUD** asked Mr. Wilke about a specific constituents situation that he was contacted in regards to. **SEN. LAIBLE** had questions about the rule making authority of the CVR and **Mr. Wilke** explained. **SEN. BARKUS** joined the meeting.

January 30, 2003

PAGE 6 of 8

{Tape: 2; Side: B; Approx. Time Counter: 20 - 30}

SEN. COONEY asked for further information on the topic of criminal trespass. **Mr. Wilke** clarified how the appraisers have to follow certain policy and procedures on no trespass areas. **REP. SINRUD** had Mr. Wilke address conservation easements. **Director Kurt Alme** addressed a committee request for an analysis of what the DOR's FTE level has been. **Mr. Alme** identified the last DOR issue as being POINTS, (reference Pages 16-18 of the handout) where he highlighted the last three bullets on Page 18.

{Tape: 3; Side: A; Approx. Time Counter: 0 - 8}

Director Kurt Alme spoke on the failed phase two of POINTS and the options and recommendations that the legislature needs to address. **Mr. Alme** said it was his understanding that all POINTS related budget issues would be dealt with in two decision packages at a later time. Today in relation to POINTS the maintenance of the POINTS 1 system in its current operating environment with the Legacy was covered. **Greg DeWitt, LFD** made the committee aware of their offices sheet on the DOR's budget that he had distributed. **Mr. Alme** provided an explanation of Page 15 of Exhibit 1, the FTE analysis chart.

EXHIBIT (jgh20a02)

{Tape: 3; Side: A; Approx. Time Counter: 8 - 30}

Lynn Chenoweth handed out two sheets listing current and new decision packages (DP) and the impacts related to them. He discussed these line by line explaining adjusted base figures and the targeted shaded gray area of exhibit 3. Topics of discussion were; system upgrades, meeting statutory requirements, and strategic planning. **REP. LINDEEN** and **Margaret Kauska** addressed the issue of hiring skilled people and Ms. Kauska detailed the pitfalls of trying to train existing personnel as system analysts. At the prompt of **SEN. LAIBLE**, **Greg DeWitt of the LFD** referred the committee to Page A-151 of the Budget Analysis book.

EXHIBIT (jgh20a03)

EXHIBIT (jgh20a04)

{Tape: 3; Side: B; Approx. Time Counter: 0 - 30}

Margaret Kauska continued discussing the grade and level of employees and their upward mobility. **SEN. LAIBLE** and **Director Alme** discussed the broadband or merit pay options for the DOR, and technology. **REP. LINDEEN** asked if vacancy advertising reached outside of Montana. The answer was yes via regional publications and the web. **Lynn Chenoweth** proceeded with his presentation on down the exhibit 3 sheet from NP 504 explaining each item in detail. **Greg DeWitt, LFD**, referred the committee to Page A-157 of the Budget Analysis book for reasons of LFD issues with the Compliance Valuation and Resolution section. **Don Hoffman** described to the committee the FTE segregation of work and efficient cross-matching. He stated that during the special session the CVR estimated that they would get \$280,000 in revenue per FTE and they were on target. **Neil Peterson** went over the treasury offset program costs; start up, modem line, programming, and certified letter mailing for **SEN. LAIBLE**. **Neil Peterson** and **Don Hoffman** explained the compliance process of tax collection and related placements of FTEs to **SEN. BARKUS**.

{Tape: 4; Side: A; Approx. Time Counter: 0 - 20}

SEN. COONEY, **Don Hoffman**, and **Lynn Chenoweth** discussed the potential reduction of FTE received from the special session request that are bringing in revenue. **Matt Bugni of OBPP** commented that it is not the executive intent to reduce those FTE yet to meet the new base the DOR does not have a lot of options. **Don Hoffman** referred the committee to Page 8 of Exhibit 4 for further clarification. **Lynn Chenoweth** proceeded with presenting listed items on Exhibit 3 from PL-804 which was withdrawn. He answered questions pertaining to FTA dues and computer replacements. **Randy Wilke** discussed GIS technology to identify property. **Matt Bugni of OBPP** added that the Department of Revenue does coordinate with the Information Technology Services Division(ITSD)of the State.

JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT AND
TRANSPORTATION

January 30, 2003

PAGE 8 of 8

ADJOURNMENT

Adjournment: 11:50 A.M.

REP. JOHN BRUEGGEMAN, Chairman

MISTY SHEA, Secretary

JB/MS

EXHIBIT (jgh20aad)